MARKET SEGMENT REPORT: ITALIAN & PASTA PAGE 117

Restaurant Business

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NEW TRENDS TO WATCH:

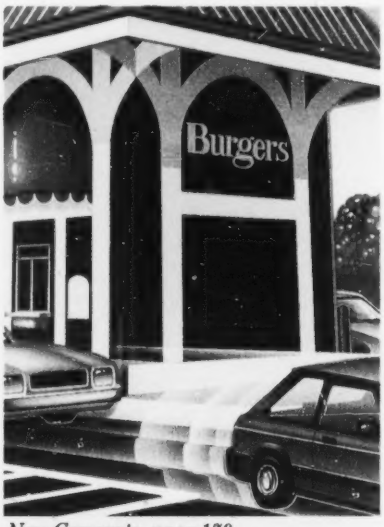
DRIVE-THRU BURGERS; NOSTALGIA; CARIBBEAN; PASTA; GRAZING PAGE 179

WILL THE NEW BAKERIES KEEP RISING? PAGE 192

GREAT DESIGN ON A SHOESTRING PAGE 254
BIG STAKES AT RUTH'S CHRIS PAGE 166
MENU IDEAS: SAVVY SOUPS PAGE 225
LATELINE: NEWSBREAKS PAGE 265

CONTENTS

AUGUST 10, 1986 VOL. 85 NO. 12



New Concepts, page 179.

Menu Ideas, page 225.

Italian & Pasta Segment, page 117.

Cover Story

179 **New Trends to Watch.** *Ideas don't remain new for long in today's restaurant industry; they soon blossom into full-blown trends. Everyone's looking for what's hot.* RB *takes a look at five of the most interesting trends around and profiles a strong representative of each one: Nostalgia, exemplified by Ruby's Diner; pasta, Jerrico's Florenz; drive-thru burgers, Central Park; grazing, Square Meals; and Caribbean cookery, Brio.*

Food and Beverage

215 **Drafts, Carafes & Spirits.** *Nonalcoholic alternatives can be profit-makers, from fruit-flavored fizzes, de-alcoholized wine and beer, and slushy fruit concoctions.*

225 **Menu Ideas.** *In the* RB *Test Kitchen, food editor Maria Cianci takes a look at the thick and thin of soups.*

233 **Chef's Art.** *John Folse of Lafitte's Landing Restaurant presents pan sautéed fillet of catfish, sauce Meunier.*

Features

117 **Market Segment Report: Italian & Pasta.** *The most popular of all ethnic cuisines, Italian cooking and pasta are no longer staunchly ethnic, Italian menus are more diverse today than ever. It is a proven—although staid—market, but there's more competition with Italian specialty dishes and pasta integrated into most restaurants' menus today.*

166 **Ruth Chris Steak Houses.** *Starting out 21 years ago in New Orleans, founder Ruth Fertel has built a chain of 15 steak houses, generating sales in excess of $22 million.*

172 **Allegro.** *Talented young chef Jimmy Burke and his partner and wife, Bonnie, opened their highly successful restaurant, serving Northern Italian cuisine, five years ago in Waltham, MA. Their second, more casual unit opened recently in Boston.*

192 **The Rise of Bakery Concepts.** *The aroma of fresh-baked breads, muffins, cookies, croissants, and cinnamon rolls is not only luring customers but entrepreneurs as well, who have a sharp nose for the sweet smell of success.*

209 **Au Bon Pain.** *This Boston-based, 40-unit chain of high quality baked goods/sandwich cafes boasts attractive average unit sales of $750,000, with an average check of $2. Most stores have no more than 60 seats, and 50 percent of business comes from take-out.*

254 **Inexpensive Design.** *The challenge of working on a limited budget forces creative solutions to the expensive problem of competitive restaurant design.*

Columns and Departments *For a brief summary, see page 16.*

RB Insider
RB Notes
Editorial
Publisher's Memo
Insights
Menu Monitor
Promotions
Executive Profile
Washington Watch
Restaurant Stirrings
Spotlight
Trade Quotes
Menu Planner's Guide
Training Tips
Worth Writing For
Operations Savvy
Personal Finance
The Tax Bite
Management Psychology
Marketing Matters
Sanitation
Computerlink
Bar Management Guide
The Wine Seller
Raising Your Equipment I.Q.
Supply Lines
Buyer's Circle
Calendar
Lateline
Restaurant Openings

COVER ILLUSTRATION BY ROBERT BURGER

MARKET SEGMENT REPORT

ITALIAN & PASTA

A large market seemingly resistant to the domination of chains.

Big 4's Pop's Italian Restaurant expanded its menu to meet market demands.

In the restaurant business, fragmented markets aren't just for burgers anymore. Even the leading ethnic menu segment is having trouble remaining solidly intact in a restaurant market hungry for growth but sufficiently stacked with outlets.

Italian cuisine, and its mainstay, pasta, are in the midst of an identity crisis of sorts. Once staunchly ethnic, rich in the aroma of red sauces spiked with red wine and cooked over a low flame for hours, Italian menus are more diverse today than ever.

Now, light sauces are widely popular on pasta, as Northern Italian cuisine carves out a place in American stomachs. Meatballs and sausage are giving way to sautéed veal and grilled fish. Seemingly simple pasta dishes now command top dollar in many restaurants, and it isn't only sauces which now provide color for the center plate: tomato, carrot, spinach, or artichoke pastas don distinct hues all their own.

Commandingly dominated by independents—many of whom are immigrants or the direct descendents of new Americans—the traditional Italian restaurant segment remains relatively intact, despite fluctuating market conditions. It is a proven—although staid—market.

By Ralph Raffio

A CHANGING MARKET. But there's more competition for these restaurants now. Italian specialty dishes and pasta have been integrated into most restaurants' menus today. In fact, the market for Italian cuisine and pasta is growing not so much due to a flurry of new restaurant openings, but by menu items that are being adopted and expanded upon by eating places of all persuasions.

According to some industry ana-

continued on page 118

MARKET SEGMENT REPORT

ITALIAN & PASTA

Northern Italian cuisine is now more popular than Southern, a favorite for years.

lysts, fragmentation has already occurred in the Italian market segment. The challenge for operators today is making the best of this situation, and taking advantage of the opportunities arising from it.

The National Restaurant Association (NRA) in Washington, DC, reports that, of all ethnic cuisines, Italian is the most popular among Americans. At the same time, pasta has steadily gained an increased following among American consumers. According to the National Pasta Association, per capita consumption of pasta reached 14.7 lbs. in 1985, up from 12.8 lbs. only five years earlier—and that includes only frozen, dried, packaged and canned pasta, not fresh.

Such popularity among consumers rarely goes unnoticed. Though most large restaurant chains have so far steered clear of developing a strictly Italian concept, many have expressed interest in cracking the Italian market. "Italian cuisine represents an uncrowded niche for restaurant companies," says Charles Glovsky, senior restaurant analyst, Alex. Brown & Sons, Baltimore. "There aren't many of those left in the industry."

DIFFICULTIES. But this seemingly wide open market is by no means an easy nut to crack. On the contrary, it has proven very difficult. Many have failed at attempts to cookie-cut an Italian concept, leading to widespread apprehension and doubt among chains to move further ahead toward developing a national chain.

The most recent failure is that of Collins Foods International Inc., Los Angeles, long a strong presence in the industry as a major Kentucky Fried Chicken franchisee and as franchisor of the Sizzler steak house concept. After acquiring the fledgling Josephina's Café and Pizzeria chain in 1984, Collins set out to build a premiere Italian dinner house chain, starting in California and Colorado.

But that never happened. Having grown to 14 restaurants, three of which were franchised, Collins announced it was pulling back from the project in the spring. The company will sell off or close many company Josephina's units, and has formed a partnership with a Lincoln, NE, concern to manage what restaurants remain open. Collins also severed ties with Josephina's founder, David Sidell, who headed the Josephina's division under Collins as president.

Starting out serving deep dish Chicago-style pizza, Josephina's evolved into

continued on page 122

(Top) The Old Spaghetti Warehouse has expanded its menu, but spaghetti dinners remain the best seller. Bottom: a red pasta dish at Pop's.

MARKET SEGMENT REPORT

ITALIAN & PASTA

a white tablecloth dinner house serving a variety of pasta and Italian specialities. Plans now call for converting remaining Josephina's into mid-priced pizza restaurants, thereby erasing yet another attempt at an ethnic dinner house chain.

But this is still not a doom and gloom market. It's an exciting one, made more interesting by recent developments. Practically every restaurant offers some variety of Italian or pasta items. General Mills' Red Lobster division added pasta entrees in 1984. And even Denny's and Shoney's sell spaghetti and meatballs.

Though failures like Josephina's and others support the belief that successful Italian chain concepts are an elusive goal, some say there is hope.

"Execution is always the answer," says Warren W. Rosenthal, chairman of Jerrico Inc., Lexington, KY. "Pastas are not forgiving. You can under- or over-cook a piece of meat and be allowed the error, but rarely is that the case with pasta. If you're careful to make sure the food is high quality, you can be successful."

After much planning and some delays, Jerrico was scheduled to open Florenz, its own Italian dinner house attempt, in June. (See accompanying article, page 182.) The parent of Long John Silver's Seafood Shoppes, Jerrico is a fast food company now going into an entirely different business. With ill-conceived casualties scattered over the foodservice battlefield—particularly in the ethnic dinner house segment—some wonder whether Jerrico can indeed pull off its plan.

SUCCESSES. "Full service restaurants, especially ethnic ones, can't be operated under the same principles as fast food," says John P. Ferrara, president of the 26-unit Pasta House Co., St. Louis. "I think they're going to have a tough time of it, mainly because they're not restaurant people."

Jerrico hopes that won't be the case with Florenz, that a separate approach to its new dinner house can reap ample rewards by providing the company with a new growth vehicle. Headed by Christian Inden, formerly vice president of food and beverage for The Management Group, Chicago, and now a Jerrico executive vice president in charge of the dinner house division, Florenz is a Northern Italian restaurant in Blue Ash, OH, which is just outside Cincinnati, not too far from the corporate headquarters. The menu includes 10 different pasta entrees, five seafood entrees, as well as an impressive array of salads, veal, beef, chicken, cold pasta salads, and soups.

Florenz hopes to ring up sales of $2 million its first year, according to Inden. The Blue Ash unit—a converted Joe Kelly's restaurant which never did open its doors—seats 262 in the dining room, and accommodates 119 at the bar. Dinner entrees average around $10, and all include a salad.

Jerrico executives expect that 70 percent of sales will be generated by food items, the rest by liquor. Of Florenz's alcoholic beverage sales, Inden expects 50 percent to come from wine.

"I've been here for a year and a half making sure we'll be ready when we open our first unit," insists Inden. "I think many people in the past have been both experimenting and doing business at the same time. We're not. We're going to be ready to do business before we open the doors." Inden says Jerrico will open another Florenz by year-end, adding that there is a possibility of opening two units.

MORE COMERS. Among the latest entrants into the Italian dinner house segment, McFaddin Ventures Inc. opened Laurenzo's Italian Bar & Grille in Houston, the company's base, in April. Laurenzo's was developed by the Laurenzo family, founders of Ninfa's Mexican Restaurants.

McFaddin bought the franchise rights to Ninfa's last year, then funded the Italian restaurant project under its new Ninfa's U.S.A. division. Laurenzo's menu is diverse, including pasta, small pizzas, and grilled items such as fish and veal. "It's a light Italian menu," says Wendell Hern, vice president, marketing, McFaddin.

Hern says further development of the new restaurant concept "depends on how this one comes along." The first unit is a converted Huarache's, a McFaddin property. It seats 246, and features an exhibition kitchen, as well as strolling violinists.

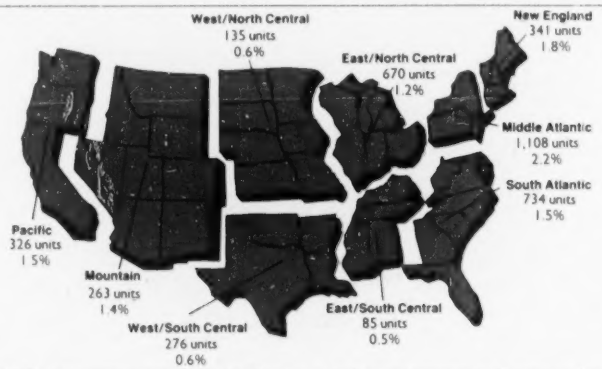
Although the National Restaurant Association ranks Italian as the ethnic cuisine of choice, there are relatively few Italian restaurants in the U.S. compared with other ethnic cuisines.

According to Restaurant Consulting Group Inc.'s 1985 RE-COUNT survey of U.S. restaurants, Italian restau-

continued on page 124

ITALIAN RESTAURANTS MOST POPULAR IN NORTHEAST

Although Italian and pasta restaurants represent only a small percentage of total outlets, their concentration is highest in the New England and Middle Atlantic regions.



NOTE: Percentages represent distribution of Italian restaurants by Census regions.

SOURCE: RESTAURANT CONSULTING GROUP, RE-COUNT, SPRING 1985

MARKET SEGMENT REPORT

ITALIAN & PASTA

Josephina's is only the most recent Italian chain to flounder in its attempt to expand into new markets.

rants account for just 1.3 percent of the total U.S. market. Oriental and Mexican restaurants far outweigh Italian units, says the Evanston, IL-based research firm. There were 14,675 Oriental restaurants operating in 1985, accounting for 4.4 percent of the total market, while Mexican units totaled 13,034 or 3.9 percent of all restaurants. By contrast, Italian was the third largest ethnic segment in number of units, with just 4,438 restaurants.

STAYING POWER. Though Northern Italian fare ranks as the star of the Italian segment and the industry at large, the backbone of the cuisine is still rooted in Southern Italian cooking. Clearly, the majority of Italian restaurants in the United States build their businesses around well known dishes like pasta with tomato and meat sauce, baked lasagna or manicotti, and other items originating in the Southern sections of Italy.

In Phoenix, Big 4 Restaurants Inc. found that adapting to that fact could be critical. Though Northern Italian food got some applause from consumers in the chains' Pop's Italian Restaurant in Scottsdale, the market clearly favored traditional red sauce items. "Many people want red sauce when they go to an Italian restaurant," says Barbara Gordon, marketing director for Big 4. "That's what they know best and they don't pick up different habits quickly." Big 4 opened its new concept, Cicero's, in Phoenix, which is open only for dinner and serves almost exclusively red sauce entrees. Chianti bottles dripping wax and a strolling accordian player help create the image of an old-fashioned Italian restaurant. "We wanted it to look like it had been around for 60 years," says Gordon.

CATER TO FAMILIES. Another key factor in this menu segment is that many of the most successful Italian restaurants are family-style concepts with moderate prices. Such is the case with Dallas-based Old Spaghetti Warehouse (OSW). With 10 restaurants in three states, Old Spaghetti Warehouse found out early on that Americans' taste for Italian food was rooted deeply in traditional Southern Italian recipes. Founded in 1972, before Northern Italian cuisine came into vogue, the chain has made few changes to its concept over the years despite evolving consumer trends. "We haven't changed our menu or marketing approach very much at all," says Robert Hawk, president of Old Spaghetti Warehouse.

Like many restaurateurs, Hawk

continued on page 128

In Canada, Mother's Restaurants introduced pasta to sidestep liquor laws. Now, pasta accounts for well over half the chain's total sales.

MARKET SEGMENT REPORT

ITALIAN & PASTA

Florenz, Jerrico's Italian dinner house entry, hopes to make inroads where others have failed. The first unit is already open in Blue Ash, OH, and others are expected soon.

finds that family business is big business for Italian restaurants. "Our market is the local family trade," he says. "We're not a meeting place and we're not a bar. We depend on our ability to give the customers an excellent perceived value for their money."

As in the past, Hawk says the chain's biggest selling item is still spaghetti with meat sauce. "People like tasty food, no matter what you say about health and diets," he says. The chain offers a variety of menu items, like lasagna, cannelloni, veal dishes, and chicken entrees. But pasta accounts for a full 50 percent of total sales. Check average is low, $7 at dinner, $6 at lunch, including beverage. Liquor accounts for only 15 percent of the chain's total sales.

Though prices are kept low, Hawk insists that "We're not doing cheap food." The Old Spaghetti Warehouse brings in sourdough bread from San Francisco each day, uses prime veal only, and sauces, which are made fresh daily, simmer for at least six to eight hours. "We're obviously not a gourmet Italian restaurant where everything is cooked to order, but then neither are our prices like theirs," says Hawk.

The chain's 10,000- to 25,000-sq.-ft. units seat between 350 and 750 diners. The Old Spaghetti Warehouse has units in Texas, Ohio and Florida, and is looking to open restaurants in Georgia and Tennessee, possibly some time this year. Most units are located in inner city locations, with the exception of those units that are in Florida, and all are company-owned.

Based in Portland, OR, The Old Spaghetti Factory also caters to the family trade, as it has since the company opened its first restaurant in 1969. Owned by OSF International, the 23-unit chain consists of 19 restaurants in the United States, three in Japan, and one in West Germany.

KEEP IT SIMPLE. One key area where The Old Spaghetti Factory (OSF) stands alone is in its menu. The chain only offers pasta items—no veal is offered, no chicken, not even salads. Originally the restaurant served just spaghetti with a variety of sauces, though fettuccine, tortellini, fusili, and lasagna have since been added to its menu. "Ours is a very simple concept," says Robert Barr, director of marketing, OSF. "We offer a dining alternative to the family in an environment that's more inviting than most."

A family of four can dine at the Old Spaghetti Factory for $20, largely because of the restaurant's strict focus on the low-cost pasta category. "The menu, specifically the use of spaghetti, makes our low check average possible," says Barr. Units average 225 to 560 seats, and sales volumes run between $1.2 and $1.4 million annually. The restaurant chain's average check is just $5.80 including alcohol, $4.80 of which is food. Restaurants include lounge areas, though alcoholic beverages account for only 20 percent of total sales.

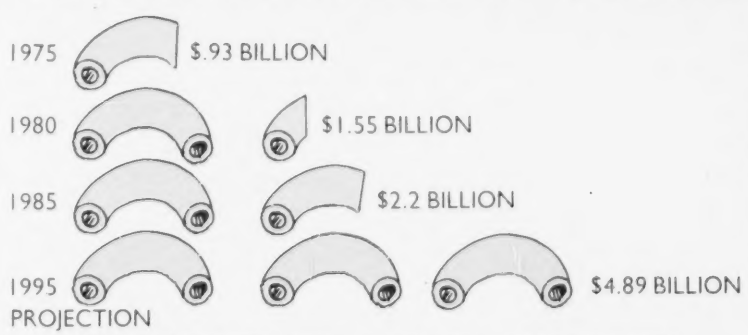
Barr says the company did not introduce additional pasta items in order to move closer toward becoming a full Italian restaurant, though. Rather, he says, the move served only to more deeply entrench the chain in the pasta category. "We do only pasta, and we don't intend to change that," says Barr. "We've got a strong customer identity for doing spaghetti. We're not a bar, nor do we go after the young upscale market. Our customers come for the price, the decor, and because they want to eat spaghetti." Spaghetti accounts for as much as 80 percent of food sales in many units.

DRY OVER FRESH. Like the Old Spaghetti Warehouse and many other Italian restaurants, The Old Spaghetti Factory has found dried pasta preferable to fresh. The chain once installed pasta-making equipment in all its restaurants, but soon decided to pull the equipment out, because it was disap-

continued on page 132

THE GREAT NOODLE BOOM

MANUFACTURER SALES OF PASTA: U.S.



INCLUDES FROZEN, DRIED, PACKAGED, CANNED PASTA.

MARKET SEGMENT REPORT

ITALIAN & PASTA

pointed with the experiment's results.

"After doing fresh pasta for a little over a year, we found that customers weren't interested in it," says Barr. "We also found that in many situations the product you make yourself isn't superior to dry pasta." Barr says that during the time fresh pasta was offered, it accounted for under 10 percent of the chain's total pasta volume. The Old Spaghetti Factory replaced fresh pasta with imported dried pasta as a result. But, says Barr, there's even less difference between domestic dried and imported dried. "The customer doesn't seem to have a preference one way or the other," he says.

Like other Italian chains, The Old Spaghetti Factory isn't planning major growth. Its newest restaurant opened in August 1985 in Louisville, KY, and the company is now planning to open one more restaurant this year.

In Atlanta, Bob Provissiero has his hands full with just one restaurant. Provissiero bought Joe Rigatoni's after the then three-unit chain went bankrupt in 1983. The only unit open today is the original restaurant. "Now is not the time to expand," says Provissiero. "The full service market is saturated and customers aren't as loyal as they used to be. Besides, people don't have the ethnic backgrounds they once had. There's no foundation in the customer's mind as to what a good sauce should taste like. They're all used to eating at chains. That's their yardstick today."

Provissiero says it's also become more difficult for restaurateurs to be authentic when chasing the upwardly mobile. "It's very difficult to risk making real Italian soul food nowadays," he explains. "Most people don't know what it is, don't appreciate it, and won't pay for it."

At Bennigan's, pasta accounts for two of the chain's top-selling entrees.

Stating that the target market is now fragmented, Provissiero says simplicity can be the key to success, sticking to menu items the customer can easily understand and identify with. Operational simplicity can also be important. About 30 percent of Joe Rigatoni's sales is generated through a pasta bar. Customers order a dish of their choice of pasta, which is served up plain within minutes. They can choose between fettuccine, spaghetti, linguini, fusili, or other pastas, each one pictured on the menu. "It gets them out fast, and it helps me out operationally," says Provissiero. "I didn't think I could produce consistently good pasta dishes from a production standpoint in the kitchen with the sort of volume we do."

Liquor sales at the Atlanta restaurant account for 30 percent of total sales, which according to Provissiero, will reach $1.3 million this year on an $11 average check. The art deco-designed restaurant seats 200 and offers live entertainment. Provissiero calls Joe Rigatoni's "a theme restaurant with Italian food."

Pasta House Co.'s Ferrara explains his chain somewhat differently. "We've taken gourmet Italian food and brought it out to the masses," says Ferrara. Pasta House Co. offers 25 different pasta items on an expansive menu which includes spaghetti, lasagna, shells stuffed with seafood, linguini with shrimp, cannelloni, and a variety of cream sauce pasta entrees.

Yet, according to Ferrara, the 26-unit Pasta House Co. remains a family-style restaurant. Average dinner check is about $9.50, including liquor, which accounts for 22 percent of total sales. "The family trade is where the market demonstrates its greatest strength," says Ferrara. "That's been a constant." Pasta House Co. owns 16 restaurants, with the remaining 10 franchised.

Restaurants average 6,000 sq. ft. of space, with seating for 160, and span four states—Missouri, Ohio, Tennes-

continued on page 134

MARKET SEGMENT REPORT

ITALIAN & PASTA

Although Americans rank Italian as their favorite type of ethnic restaurant, there are only 4,500 Italian restaurants in the U.S. They account for about one percent of all units, outstripped by Oriental.

see and Florida. With its stores primarily located in strip centers, the company will focus on major malls and freestanding locations when considering new restaurant development.

Ferrara also makes a point of touting his home city as a premiere restaurant market, especially for Italian cuisine. "St. Louis is probably the best kept secret in the country when it comes to Italian food," he says. "Don't forget, we have Tony's, and that's the only five-star Italian restaurant in the country."

GEOGRAPHIC DISPERSION. Arizona is probably less known for its Italian cuisine than St. Louis, but one of the state's restaurateurs is busy trying to make a mark. In Phoenix, Fred Don Dero is parlaying his traditional Italian concept into something few others have attempted, with a take-out lunch operation with delivery.

President of Pasta Segio's, on Phoenix's Camelback Rd., Don Dero began delivering lunch in late May. "There are so many offices on Camelback, I just couldn't miss out on the opportunity," he says.

Don Dero explains that by the second week of offering delivery service, 72 lunches were sold, almost double the number served inside the restaurant. Pasta Segio's offers eight different sandwiches priced between $3.50 and $5.25, as well as hot pasta entrees, prices at $5.50 to $6.50.

Available between 11 a.m. and 2:30 p.m., lunch is delivered in two cars, neither of which is equipped with warmers. "Delivery isn't ideal for every pasta restaurant," says Don Dero. "You've got to be very close to where you're delivering to." Pasta Segio's delivers anywhere within a four-mile radius, charges no delivery fee, and requires no minimum order. Nearby offices account for most orders. So far, delivery orders average $5.50.

Still, Pasta Segio's mainstay is the full service restaurant. Having closed a 3,200-sq.-ft. unit in Tempe, the Phoenix unit is the only Pasta Segio's open today.

A smaller unit, 1,400 sq. ft. with seating for just 62, the restaurant will do over $400,000 in sales this year. Another restaurant is scheduled to open in Scottsdale some time this year, a strip center unit located next to a Rusty Pelican and behind a Bobby McGee's. Pasta Segio's offers 24 pasta dishes, eight non-pasta entrees, and daily specials. The restaurant doesn't have a bar, and only serves beer and wine.

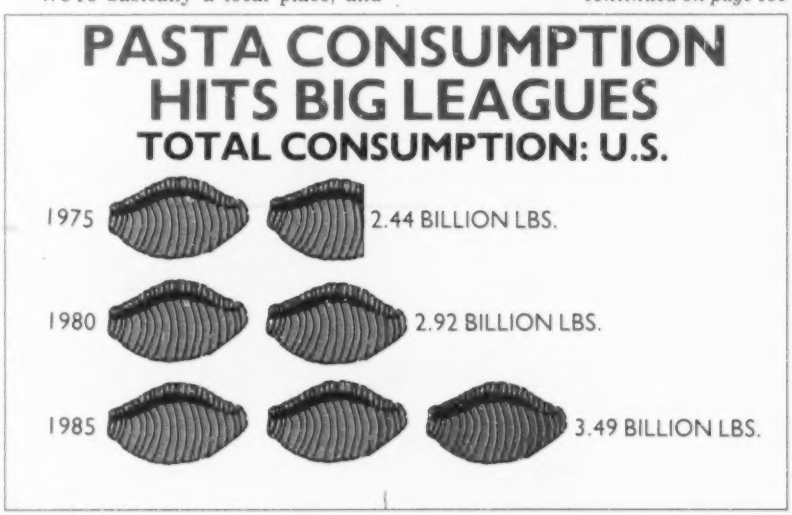
"We're basically a local place, and our customers are looking for traditional Italian food," says Dero. "The tourists go to the chains." Pasta Segio's decor is traditional, with a color scheme of red, white and green—17 tables with checkered tablecloths. Dinner for two, including wine, averages about $32.

ITALIAN TO GO. Take-out and delivery isn't often synonymous with Italian food—unles you're talking about pizza. But one Canadian chain hopes to change that. Burlington, Ontario-based Mother's Restaurants Ltd. operates 107 restaurants, of which 66 are full service units, and 41 are limited to take-out and delivery operations.

According to Jon Astrov, Mother's vice president of marketing, full service restaurants generate 70 percent of sales from the dining room, 20 percent through delivery, and 10 percent from orders taken out. Average unit volume at a full service Mother's is about $1.3 million (Canadian).

Mother's started out in 1970 in Hamilton, Ontario, selling pizza. As the chain developed, management wanted to add wine and beer, but couldn't because pizza was considered a snack food by authorities, so it couldn't be complemented by alcohol. To get around this, pasta was added to the Mother's menu, making the restaurant more of a restaurant than a pizzeria.

continued on page 136



MARKET SEGMENT REPORT

ITALIAN & PASTA

The greatest potential for pasta is now in menu additions at non-Italian outlets.

Now, pasta accounts for 50 percent of sales at full service Mother's restaurants, with pizza accounting for the other half. Pasta entrees included spaghetti, fettuccine, lasagna, and baked ravioli. Meat and meatless sauces, as well as cacciatore sauce, are offered.

Prices for pasta entrees range from $3.50 to $6.35 for lasagna, which is made in the company's commissary and delivered to stores. Entrees are a la carte, and include roll and butter, though the company is experimenting with combining the price of entrees with either a tossed salad or salad bar. "That's still in the planning stages," says Astrov. Mother's full service units offer seating for about 100 with full liquor service, which generates 12 percent of total sales.

The company, largely a family-oriented one, is now working on a new type of unit, which is designed to expand its customer base, as well as increase its after-9 p.m. business. The new approach is to couple a full service Mother's Restaurant with another area called Father's.

A LATE CROWD. "Father's is more of a masculine place, with a darker atmosphere," says Astrov. "We think this can generate business later on in the evening, and will also attract customers who don't want to sit in a dining room with a lot of families and kids."

In Kansas City, V's Pasta Parlor started out by going in the opposite direction of Mother's Restaurants. Starting out with V's Restaurant 23 years ago, a full service Italian restaurant, the Totta family spun off a fast food concept from that in 1979.

V's Pasta Parlor is only three units strong today, and all three restaurants are in Kansas City. The company had included two franchised units, which closed. Plans call for an additional two V's Pasta Parlors in the near term, however, probably company units. The chain operates 700-sq.-ft. units in food courts. It offers several different pasta entrees—including spaghetti, mostaccioli, manicotti, baked lasagna, and rotelli—plus two sandwiches called "Gondolas"—either with meatballs or sausage. Entrees are served with either tomato, meat, or garlic butter sauces.

Priced from $1.99 to $3.39, entrees are served in two to three minutes, according to Vincent C. Totta, a co-owner. Even lasagna, the chain's best selling item, which is pre-assembled then cooked to order in a radar range, comes in at under three minutes, says Totta.

Totta says that unit volumes range from $260,000 to $300,000 annually, based on a startup package of about $60,000. "Our equipment package isn't nearly as expensive as other fast food concepts," says Totta. "Almost everything is cooled in water, and since there's no frying we don't need to install expensive exhaust systems.

Relating V's to other fast food restaurants serving Italian entrees, Totta says a frequent mistake made is diversification of menu. "It's a big mistake when you start adding a lot of different items to your menu just to be safe," he says. "If you start trying to be everything to everybody you're bound to lose your way."

V's uses dried pasta, not fresh, and Totta doesn't expect that will change. "Fresh pasta doesn't taste like dry pasta, and it's dry pasta people are familiar with," explains Totta. "You not only have to give your customer a good product, but you've got to give them what they expect. And they expect what they get from dry pasta."

CAESARS' ENTRY. Also on the fast food front, Farmington Hills, MI, based Little Caesar's, the nation's third largest pizza chain, now operates 18 Pizza Stations. The pizza/pasta concept makes use of a pasta bar for cold pasta items, and also serves hot items from the kitchen.

Six different cold pasta items are included on the pasta bar: chicken pasta salad, antipasto pasta, Greek pasta, Caesar's Mediterranean pasta, with egg and spinach pasta, cheese cubes and vegetables, pasta with crab, pollock and creamy dressing, and Caesar's Delight pasta, with vegetables. The pasta bar includes a salad, soup bar, and fresh fruit bar, and is priced at $3.99 for all-you-can-eat.

The Pizza Station also offers lasagna for $2.59, spaghetti with meat sauce for $1.89 or with mushroom

Prego laid the groundwork for subsequent Spectrum Foods concepts.

sauce for $2.29, and spaghetti baked with cheese for $2.09 with meat sauce, $2.49 with mushroom sauce.

Though the traditional cuisine of Southern Italy clearly dominates the market, the new wave is from the country's northern region. Not only does the north produce a more sophisticated cuisine, but it appears that the dishes are more flexible. Northern Italian cooking appears as comfortable in an eclectic setting as in a strictly native dining atmosphere.

Not surprising, the foodservice industry has responded accordingly. Northern Italian restaurants—like Jerrico's Florenz—are cropping up. But restaurants with a more varied approach are also finding success adding certain Northern Italian items to their menu.

One chain that has chosen to expand strictly on its Northern Italian strength is Minneapolis-based Ciatti's Italian Ristorante. Now with five restaurants open, in Minnesota, Wisconsin, Indiana, and Tennessee, the company plans to open one more unit this year. Of the five restaurants open, four are company-owned, the other franchised. The company's first restaurant opened in Minneapolis in 1982.

Ciatti's number one seller is pasta—representing 60 percent of food sales—though its items are far from spaghetti and meatballs. To prove the point, seafood cannelloni in a white sauce is among the restaurant's top selling items.

As is the case with most Northern Italian restaurants, Ciatti's customer base isn't the family dining crowd. Northern Italian cuisine is for the upwardly mobile, more sophisticated consumer, whereas Southern Italian food attracts a more varied clientele with broader social backgrounds.

"We appeal to a customer whose palate has become more sophisticated," says Ciatti's co-owner Dan Danford, who founded the company with brother Phil Danford. "Our customer is looking for a high quality meal and a good value." Average check is about $9, including beverages. Northern Italian restaurants also frequently use fresh pasta, and Ciatti's restaurants do exactly that. In fact, all pasta as well as sauces are made on-premise daily.

Restaurants serving pasta, as well as the customers who dine on it, prefer dry pasta to fresh. Some chains, which introduced fresh pasta, met with resistance and returned to dry product.

SPECTRUM'S STRATEGY. In San Francisco, Spectrum Foods Inc. president Charles A. Frank says that, "There's a reason for that. High quality Northern Italian food cannot be mass produced." Speaking of Spectrum's Italian restaurant concepts—Prego, Chianti, Chianti Cucina, Harry's Bar & Grill, and Ciao—Frank points out that each must be individually operated. "Our restaurants require a lot of love, care and attention," he says. "I think that people who are doing Northern Italian food feel the same way, and as a result they're not out to mass produce."

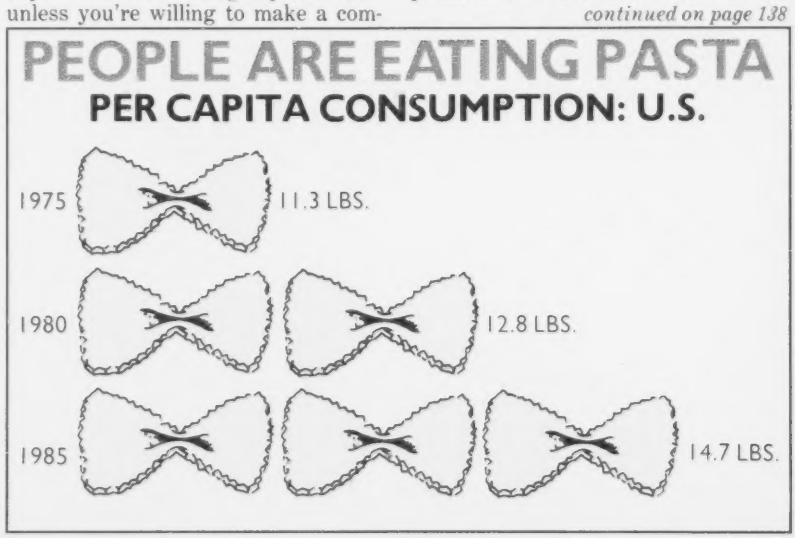
Spectrum's president is adamant about this. "To the people who look for an Italian concept you can roll 40 out of in a year, I say there is no such concept. These restaurants are management dependent, not building dependent, so unless you're willing to make a commitment to good management you cannot be successful."

Spectrum's two newest Italian-inspired concepts are Spiedini and Spuntino. Spiedini—extracted from the Italian "spear"—focuses daily on a nine-pronged imported rotisserie unit. The six-foot-long piece of equipment will be used to make brochettes of meat, chicken and fish. Spiedini is a 5,500-sq. ft. unit inside a Walnut Creek, CA, office complex, with seating for 125 plus an outdoor patio area.

Spuntino means "little bite", and is therefore an appropriate name for Spectrum's other new concept. "People are into a la carte dining," says Frank. "We try to accommodate."

Adjacent to Harry's Bar in San Francisco, Spuntino is a fast service operation. Upon entering the unit a cashier presents the customer with a ticket,

continued on page 138



MARKET SEGMENT REPORT

ITALIAN & PASTA

All-you-can-eat pasta accounts for 23 percent of entree sales at Joe Rigatoni's.

New pastas, especially varieties of tortellini, are growing in popularity.

which is punched to indicate a purchase at each station. Spuntino offers sandwiches, small pizzas, bakery items, even gelato and ice cream. "It's what we think the future is," says Frank.

G/R WEIGHS IN. At Gilbert/Robinson Inc., the Kansas City-based W.R. Grace & Co. subsidiary, co-president Frederick R. Hipp says the company's Fedora concept has been miscast by industry onlookers as the company's attempt at a Northern Italian cuisine chain prototype. Rather, he says, the European cafe is "clearly not an Italian restaurant" at all.

Fedora—with locations in Kansas City, St. Louis, and Tysons Corner, VA, features an eclectic menu which, according to Hipp, offers some Italian entrees and pasta items. "The closest thing to an Italian entree on our menu is saltimbocca," says Hipp. In July, Gilbert/Robinson was scheduled to open a fourth Fedora in Miami. No additional units are planned for the rest of this year, according to Hipp.

Regarding pasta as a menu item, Gilbert/ Robinson's co-president says the category might not be as hot as some people think. "Pasta has peaked out," says Hipp. "I think seafood has taken over as an alternative instead. Pasta is an item that is low fat, high carbohydrate, and tastes good, so health-conscious consumers latched onto it a couple of years ago. Today, there are more light, low fat alternatives for those people who got into pasta for health reasons."

Fedora offers five varieties of gourmet pizza, four pasta entrees, and an antipasta platter, though most of its menu consists of meat, veal, and seafood entrees. Most pasta items sold are done so as either lunch entrees or dinner complements. On a company-wide basis, pasta may account for about 10 percent of food sales, Hipp estimates, adding that pasta at the company's Houlihan's chain "wasn't a real big hit."

ANOTHER HEAVYWEIGHT. General Mills hopes it will have more luck with pasta. The company's restaurant division is set to expand its Italian dinner house concept, The Olive Garden. With 14 Olive Gardens operating currently, General Mills hopes to add another 25 before June 1987.

According to a company spokesman, most of the new units will be conversions. Having scrapped its Good Earth restaurant concept while retaining the real estate, some conversions will come from those closed units.

The Olive Garden's menu is split between Northern and Southern Italian entrees, including pasta, veal, chicken and fish. Decor is contemporary, with a garden-like setting, greenery, open space and white walls. Average check is about $9 to $10, and the company reports that unit volumes are running at about $2 million annually.

Red Lobster's pasta program has remained virtually unchanged since it was rolled out in 1984. Some new items are being added, and some have been removed from the menu, but the changes have been far from major.

NOT A TOP SELLER. Pasta entrees at Red Lobster restaurants include crab in Alfredo sauce, and Langostino in garlic butter, and the best selling pasta entree is the crab Alfredo. Only linguini is used in Red Lobster's pasta entrees. According to a company spokesman, pasta "isn't one of our hottest sellers. It's an alternative."

Scott Burcham, Benningan's vice president of marketing, agrees that pasta's growth has slowed industry-wide, although he maintains that the product still has "strong appeal." Benigan's, operated by S&A Restaurant Corp., Dallas, a Pillsbury Co. subsid-

continued on page 140

MARKET SEGMENT REPORT

ITALIAN & PASTA

Independents will continue to dominate the Italian/pasta market.

The Old Spaghetti Factory (above and left), pulled its pasta machines after a year-long stint, citing consumer dissatisfaction.

iary, added pasta to its menu in November of last year. And, according to Burcham, the move is successful.

From a marketing standpoint, Bennigan's divided its pasta items into two separate categories—"pasta" and "linguini"—introducing each one at different times—pasta last November, followed by linguini in January.

"Pasta is a category of very wide appeal," says Burcham. "We felt that by separating it out into two categories we could get more mileage out of the introduction of each pasta group."

There are now seven pasta items on the Bennigan's menu, ranging in price from $5.95 to $8.45. "Of our top 10 entrees overall, two are pasta entrees, and out of our top 15 entrees three are pasta," says Burcham. "So, pasta has done very well for us."

Under the chain's pasta category are lasagna and Sicilian shells—spinach, cheese and meat inside pasta shells, fried lightly and served with marinara sauce. Tortelloni had initially been part of the pasta category, though it was dropped due to poor performance.

Under the linguini heading, five items are included: chicken pasta parmesan, served over linguini, linguini with clam sauce, seafood pasta, pasta primavera, and shrimp Palermo—shrimp, sausage and seasonings in a cream sauce served over linguini.

Pasta's introduction was a merchandising event for the 197-unit Bennigan's. Pasta was introduced under the banner of "Pasta Renaissance," while linguini made its debut following an event titled "The Amazing Linguini."

"We do event marketing," says Burcham. "The pasta introduction was definitely a merchandising event for us." Yet, Bennigan's promotion of pasta had nothing to do with price. "We didn't price-cut, we merchandised," says Burcham, who adds that the pasta category has done well without merchandising as well.

Proof of the fact that Americans like traditional Italian food, Bennigan's best selling pasta entree is chicken parmesan over linguini. Priced at $6.95, the item has also become the chain's second biggest selling entree.

FUTURE PASTA PLANS. S&A might be adding additional pasta items to Bennigan's, as well as to its Steak & Ale chain. But the company doesn't seem at all interested in developing an Italian dinner house concept. Says Burcham: "I don't think Italian cuisine would fit into a casual concept like ours." Burcham explains: What we do demands a lot of variety. Our customers want one thing this time, another the next time. A lot of people just want appetizers and a drink, which is very important to us."

Agreeing that casual theme restaurants depend greatly on the bar, Burchamn adds: "I'm not saying you couldn't have an Italian restaurant with a good bar business, but it just wouldn't be the same."

Alex. Brown's Glovsky sums the market up this way: "Adding pasta items, like adding Cajun food to a menu, is definitely the way to go. It makes sense because pasta is well accepted by consumers. However, I'm not so sure that Italian fits well into the casual dinner house format."